

# **EXHIBIT 7**

TRANSCRIPT

Citi First Quarter 2014 Earnings Review  
April 14, 2014



Host  
Susan Kendall, Head of Investor Relations

Speakers  
Michael Corbat, Citi Chief Executive Officer  
John Gerspach, Citi Chief Financial Officer

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PRESENTATION

**OPERATOR:** Hello and welcome to Citi's first quarter 2014 earnings review with Chief Executive Officer Mike Corbat and Chief Financial Officer John Gerspach. Today's call will be hosted by Susan Kendall, Head of Citi Investor Relations. We ask you please hold all questions until the completion of the formal remarks. At which time, you will be given instructions for the question-and-answer session. Also as a reminder, this conference is being recorded today. If you have any objections, please disconnect at this time. Ms. Kendall, you may begin.

**SUSAN KENDALL:** Thank you, Brent. Good morning and thank you all for joining us. On our call today, our CEO, Mike Corbat, will speak first. Then John Gerspach, our CFO, will take you through the earnings presentation, which is available for download on our website, [citigroup.com](http://citigroup.com). Afterwards, we will be happy to take questions.

Before we get started, I would like to remind you that today's presentation may contain forward-looking statements, which are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results and capital and other financial condition may differ materially from these statements due to a variety of factors, including the precautionary statements referenced in our discussion today and those included in our SEC filing, including without limitation, the risk factor section of our 2013 Form 10-K.

With that said, let me turn it over to Mike.

**MIKE CORBAT:** Thank you, Susan. Good morning, everyone. Earlier today, we reported earnings of \$3.9 billion for the first quarter; and excluding CVA/DVA and a tax item, net income was \$4.1 billion, a 4% increase over last year translating to \$1.30 per share. I'll discuss these results and then turn to two other significant items in the quarter: the Fed's objection to our capital plan and the discovery of the fraud in Mexico.

During the first quarter, our institutional business performed well across our products and geographies. While lower on a year-on-year basis, market revenues rebounded from the fourth quarter and our equities business grew its revenues and continued to make progress. And higher volumes in Treasury & Trade Solutions led to revenue growth despite the ongoing low rate environment. Our consumer bank again posted growth internationally, generating positive operating leverage year on year. Revenues in Asia grew, and while we continue to execute our repositioning plans in Korea, we believe revenues in that market have now largely stabilized. In the U.S., lower mortgage refinancing activity continued to impact our retail banking business, while retail services revenues strengthened year over year showing the positive impact of the Best Buy portfolio acquisition.

In a challenging revenue environment, we made progress toward several key priorities during the quarter. Overall, we grew both loans and deposits while focusing on improving our efficiency. We continued to optimize our branch network, reduce our real estate footprint and simplify our product offerings. We reduced our headcount by about 3,000 people to 248,000, which helped lower our expenses by over \$0.25 billion year on year.

While assets in Citi Holdings declined at a slower pace in the first quarter as expected, we did bring the portfolio closer to breakeven. We'll continue to take advantage of more opportunistic sales as they

present themselves, and we also resolved a significant legacy issue last week with the \$1.1 billion settlement regarding certain private label mortgage securitizations. The narrower loss in Citi Holdings helped drive continued progress with our deferred tax asset. After reducing our DTA by \$2.5 billion in 2013, we reduced the DTA by an additional \$1.1 billion during the first quarter.

While our capital levels are amongst the highest in the industry, we share your deep disappointment over the objection of our capital plan. Let me tell you what we're doing in response. First, we're engaged with the Fed so we can fully understand their concern. We're committed to bringing our capital planning process in line with the highest standards befitting an institution of our global reach.

Let me now share with you some preliminary takeaways based on what we've learned so far. To begin with, we don't believe this is an issue with our business model or our strategy. It also isn't an issue with our levels of capital or capability to generate capital. As the quantitative tests showed, we exceeded the Fed's requirements with 150 basis points cushion in the severely stressed scenario. And after generating over \$20 billion of regulatory capital last year, we generated an additional \$6 billion in the first quarter of 2014.

We now have an estimated Tier 1 Common ratio of 10.4% on a Basel III basis, and at 5.6%, we already surpassed the supplementary leverage ratio requirement. While we clearly have a good amount of work to do to bring our capital planning process in line with the Fed's requirements, we believe we can fix what needs to be fixed in our CCAR process so we can pass the qualitative side as well. So let me be clear; whatever the gaps are between the Fed's expectations and our CCAR process, we'll close them. I'll devote whatever resources and make whatever changes are necessary to accomplish this critical goal. We're moving as quickly as possible, while mindful of the fact that it has to be done the right way. I want and I know our shareholders deserve an industrial strength, permanent solution that paves the way for sustainable capital return over time.

We've already begun to make changes we believe will strengthen our process. As you know, I'd asked Gene McQuade to delay his retirement and run our CCAR process. I've fully empowered him to do whatever needs to be done as we prepare our next submission. It will require investment in new talent, acceleration of spend on certain systems and changes the way we build, validate and test our scenario. While not insignificant, we believe the required investments can be funded through our productivity initiatives consistent with other investments we've made and continue to make in our safety and soundness, including risk management, compliance and AML.

In light of this, I believe the right decision is to focus our full attention on preparing for the 2015 CCAR process, which begins in the fall. Among other things, this delay in increasing our capital return means it's hard to see a scenario where we'll be able to meet our intermediate target of a 10% return on tangible common equity in 2015. However, our 2015 return on asset and efficiency targets remain in place and we're committed to achieving them. I should also say that, although we understand our shareholders desire for more information on CCAR, we aren't able to go into further detail, as our supervised communications with the Fed are confidential. I hope people won't misread the absence of information as an absence of action. I assure you, we're addressing this issue with absolute urgency.

Regarding the fraud in Mexico, we're progressing along several fronts. First, we've completed our rapid review and have not identified similar issues with any other account receivables program globally, other than with the Pemex supplier program. We've reviewed over 1,100 facilities with over \$14 billion of receivable financings.

Second, working closely with the Attorney General in Mexico, we're continuing our rigorous investigation into how the fraud was committed and how our controls were breached. At this point, we've terminated one employee who we believe was criminally involved in the fraud. And anyone else we find to have been criminally involved will be fired as well as referred to the Attorney General. In addition, we expect to take

action against others whose negligence or lack of compliance with our code of conduct allowed this fraud to be committed. Those responsible will be held accountable for their actions and inactions.

We also continue to pursue the recovery of any misappropriated funds. And finally, we're reviewing all of our controls and processes in Mexico, and we'll strengthen any area we think falls short of our global standards and best practices. While we'd all like a quick resolution of this issue, we're doing a lot of work and it's just going to take some time to get it done.

In closing, Citi has a unique global platform, one which, as the quarter shows, is very capable of generating the returns our shareholders expect and deserve. We'll remain focused on serving our clients and taking our franchise to the next level.

John will go through the deck, and then we'd be happy to take your questions. John?

**JOHN GERSPACH:** Thank you, Mike, and good morning, everyone. To start, I'd like to highlight two items which affect the comparability of this quarter's results to last year. First, CVA and DVA had a small impact this quarter, at \$7 million, compared to a negative \$319 million pre-tax or \$0.06 per share after tax in the first quarter of last year. And second, this quarter we took a \$210 million tax charge related to corporate tax reforms enacted in two states. These reforms lowered marginal tax rates, resulting in a reduction in our state deferred tax asset for a negative impact on EPS of \$0.07 per share. Adjusting for CVA/DVA and the tax item, we earned \$1.30 per share in the recent quarter compared to \$1.29 per share in the first quarter of last year.

This quarter's results also included roughly \$165 million of incremental credit costs related to the Pemex supplier program in Mexico, including direct exposure to two suppliers. The vast majority of these credit costs were associated with our direct exposure to OSA, an uncertainty around Pemex's obligation to pay us for a portion of the accounts receivable we validated with them as of year-end. The remainder was associated with one other supplier to Pemex that was found to have similar issues. We have not adjusted our results for these additional credit costs.

On slide four, we show total Citigroup results. We earned \$4.1 billion in the first quarter, up 4% from last year as lower operating expenses and lower credit costs were partially offset by a decline in revenue. Our return on assets improved year-over-year as well to 89 basis points. Citigroup end of period loans grew 3% year-over-year to \$664 billion as 7% growth in Citicorp was partially offset by the continued decline in Citi Holdings, and deposits also grew 3% to \$966 billion.

On slide five, we show more detail on expenses. Our expenses declined in total versus last year, even as we incurred higher legal and repositioning costs. Legal and related costs were \$945 million in the first quarter and repositioning costs were over \$200 million. Excluding these two items, core operating expenses of \$11 billion in the first quarter declined by over \$400 million year-over-year. In constant dollars, expenses declined by over \$260 million driven by continued cost reduction initiative, and the decline in Citi Holdings assets, partially offset by higher regulatory and compliance costs, as well as the impact of business growth including the Best Buy portfolio acquisition. Sequentially, core expenses were up versus last quarter, mostly reflecting higher incentive compensation resulting from improved performance.

On slide six, we show the split between Citicorp and Citi Holdings. In Citicorp, earnings declined 8% year-over-year as lower revenues were partially offset by lower operating expenses and an improvement in credit. The revenue decline was mostly driven by lower revenues in fixed income markets and North America mortgage origination, partially offset by growth in both equities and international consumer.

In Citi Holdings, the net loss improved significantly from roughly \$800 million a year ago to just under \$300 million driven by a number of factors, including credit improvement in North America Mortgages, the absence of rep and warranty reserve builds in the recent quarter, higher levels of mark-to-market gains,

lower funding costs, and a one-time gain on a debt transaction. Citi Holdings assets declined by 23% year over year to \$114 billion or 6% of total Citigroup assets.

Turning to Citicorp on slide seven, we show results for international consumer banking in constant dollars. Revenues grew 3% year-over-year in the first quarter, while expenses increased by 2%. International consumer revenues continued to reflect spread compression as well as the impact of regulatory changes and the repositioning of our franchise in certain markets, particularly in Korea.

However, most key drivers remained positive with average loans up 7% and card purchase sales up 4% from last year. In addition, we began to see the benefits this quarter of our exclusive distribution agreement with AIA to provide insurance products in 11 of our Asian markets. Korea remained a headwind. However, while we continue repositioning this franchise, we believe revenues in this market have largely stabilized and credit has remained favorable. We will continue to restructure our cost base in Korea to reflect the lower revenues. International credit costs grew 12% year over year, mostly reflecting portfolio growth in seasoning, while the net credit loss rate remained fairly stable at 200 basis points.

Slide eight shows the results for North America consumer banking. Total revenues were down 6% year-over-year and 2% sequentially. Retail banking revenues of \$1.1 billion declined by 28% from last year, mostly reflecting lower mortgage refinancing activity and were up 5% sequentially, driven by a gain on a sale-leaseback transaction. Branded card revenues of \$2 billion were flat versus last year, as higher purchase sales and improved spreads were offset by lower average loans.

Retail services revenues grew 8% from last year, driven by the Best Buy portfolio acquisition. And revenues were down sequentially in both card businesses, on seasonally lower purchase sales and loan balances versus the fourth quarter. Total operating expenses of \$2.4 billion were down 3% year-over-year, reflecting ongoing cost reduction initiatives, partially offset by the impact of the Best Buy portfolio acquisition. We have significantly resized our mortgage operations over the last year to reflect the change in market volumes;

And we continue to rationalize our branch footprint in North America by reducing the number and size of our branches while concentrating our presence in major urban areas, and enhancing our digital channels. Even as we have reduced branches, we have continued to grow our average deposits and retail loans, each up 4% year-over-year. And we've shifted a greater amount of our mortgage originations and card acquisitions to the retail channel.

Slide nine shows our Global Consumer credit trends in more detail. In North America, credit remained favorable in the first quarter, and we continue to anticipate the full year NCL rate to be in the range of 3%. Asia remained stable as well. And in Latin America, we saw an uptick in both NCL and delinquency rates. The higher NCL rate in the first quarter was primarily driven by Mexico cards, as that portfolio continued to season.

We have also seen a greater than anticipated impact on consumer behavior from the fiscal reforms enacted in Mexico last year, which include higher income and other taxes. This appears to have dampened card purchase activity and is resulting in increased card delinquencies across the industry. Given these changes, in combination with the generally slower pace of economic recovery in Mexico, we currently expect the full year NCL rate in Latin America to be roughly in line with the 4.6% we experienced in the first quarter.

The increase in the delinquency rate over the prior two quarters was mostly driven by our exposure to homebuilders in Mexico, for which we have established loan loss reserves. Any losses from these homebuilders may increase our NCL rate in the coming quarters; However, we would expect these losses to be charged against our reserves, and therefore they should be neutral to the overall cost of credit.

Slide 10 shows the efficiency ratio for Global Consumer Banking on a trailing 12-month basis. Total franchise results are shown on the light blue line, while the dark blue bars represent the efficiency ratio

excluding North America mortgage and Korea. As I mentioned earlier, revenues have declined in both North America mortgage and Korea over the past year, and this resulted in a significant drag on our reported operating efficiency. Outside of these businesses, we have made steady progress, reducing our efficiency ratio from nearly 56% a year ago to just over 54% today as we have exited underperforming markets and simplified our operations, all while continuing to invest in those markets where we see growth opportunities. While we now believe the revenues in both North America mortgage and Korea have largely stabilized, we will continue to take actions to reduce our cost base and improve efficiency in these businesses.

Slide 11 shows our total Consumer expenses over the past five quarters split between core operating expenses and legal and repositioning costs. Core expenses had declined to just over \$5.1 billion by the third quarter of last year and then increased in the fourth quarter as a result of the Best Buy portfolio acquisition. In the most recent quarter, core operating expenses have been reduced again to just over \$5.1 billion, and we currently expect to deliver modest reductions in each of the subsequent quarters this year.

This improvement is expected to come from a variety of actions, including those examples shown on the right side of the slide. As you can see, we have made significant progress since the end of 2012 in reducing headcount, the number of card products, retail branches and support sites, and we expect to make further progress by year-end.

Turning now to the Institutional Clients Group on slide 12. Revenues of \$9.2 billion declined 7% from last year but were up 28% sequentially. Total banking revenues of \$4.1 billion were roughly flat versus prior periods. Treasury and Trade Solutions revenues of \$1.9 billion were up 1% versus prior periods on a reported basis. And in constant dollars, revenues grew 4% year-over-year and 2% sequentially, as growth in fees and volumes were partially offset by spread compression.

Investment banking revenues of \$1.1 billion were down 10% from the prior year on lower debt underwriting activity as well as lower M&A revenue, partially offset by growth in equity underwriting. And on a sequential basis, revenues were down 8%, mostly due to a pull forward of M&A transactions into the prior quarter, while underwriting revenues were roughly flat.

Private Bank revenues of \$668 million increased from prior periods, driven by growth in investments and capital markets products. And lending revenues excluding the impact of gains and losses on hedges related to accrual loans were \$415 million, up from prior periods as higher loan balances and lower funding costs were partially offset by lower loan yields.

Total markets and securities services revenues of \$5.2 billion declined 12% year-over-year but were up nearly 60% sequentially. Year-over-year, fixed income revenues of \$3.9 billion declined 18%, reflecting the more muted environment in the first quarter of 2014, as well as our strong performance last year in both securitized products and local markets rates and currencies. Sequentially, fixed income was up over 60% on a rebound in spread products and local markets revenues, as well as growth in commodities.

Equities revenues of \$883 million were up 13% from last year and over 80% from the prior quarter, mostly reflecting improved performance in derivatives. And securities services was roughly flat, as lower net interest revenue was offset by an increase in assets under custody and overall client activity.

Total operating expenses of \$5 billion were down 2% versus the prior year, driven by reduced headcount and lower incentive compensation, partially offset by higher regulatory and compliance costs, legal and related expenses, and repositioning charges in the recent quarter. On a sequential basis, expenses increased by roughly \$100 million, mostly reflecting higher incentive compensation, partially offset by the impact of reduced head count.

On slide 13, we show expense and efficiency trends for the institutional business. On a trailing 12-month basis, we have lowered our operating expenses every quarter for over two years, driving the full-year

efficiency ratio from 67% two years ago to 59% as of the first quarter. Our comp ratio for the most recent 12 months was 29%, consistent with full-year 2013.

Slide 14 shows the results for Corporate/Other. Revenues increased year-over-year driven mainly by higher investment revenues and hedging activities, while expenses also grew, mainly reflecting higher legal and related costs. Assets of \$323 billion included approximately \$111 billion of cash and cash equivalents and \$156 billion of liquid available-for-sale securities.

Slide 15 shows Citi Holdings assets, which totaled \$114 billion at quarter -end with over 60% in North America mortgages. Total assets declined \$3 billion during the quarter, mostly driven by net paydowns.

On slide 16, we show Citi Holdings' financial results for the quarter. Total revenues of \$1.4 billion were up year-over-year, primarily driven by the absence of rep and warranty reserve builds in the recent quarter as well as higher levels of mark-to-market gains versus prior periods, lower funding costs, and a one-time gain on a debt transaction. Citi Holdings expenses increased slightly year-over-year to \$1.5 billion, driven by higher legal and related costs. Net credit losses continued to improve year-over-year, and we released \$345 million of loan loss reserves, the vast majority of which was related to North America mortgages.

Looking at the past five quarters of Citi Holdings results on slide 17, excluding legal and related expenses, the operating margin in Citi Holdings grew to nearly \$700 million this quarter, driven in part by the higher one-time and mark-to-market gains I just referred to, while credit costs were roughly flat. The pre-tax loss in Citi Holdings was just over \$400 million, driven by nearly \$800 million of legal and related expenses. Legal expenses were somewhat higher than in prior periods, including roughly \$100 million of incremental accruals to cover the recently announced \$1.1 billion settlement to resolve certain private -label securitization repurchase claims. This represented a significant step in resolving our legacy issues, and we remain hopeful we will have better clarity on the remaining mortgage and securitization-related issues in Citi Holdings sometime this year.

On slide 18, we show North America mortgage trends in Citi Holdings, which continued to improve through the first quarter. We ended the quarter with \$71 billion of North America mortgages, down 18% from a year ago, while net credit losses declined by nearly 50% and the loss rate improved by nearly 100 basis points. We had \$4.6 billion of loan loss reserves allocated to North America mortgages in Citi Holdings, or 42 months of NCL coverage.

On slide 19, we show Citigroup's net interest revenue and margin trends. Net interest revenue was \$11.8 billion in the first quarter, up from last year on slightly higher interest earning assets and an improvement in net interest margin, and down sequentially driven by a lower day count. Our net interest margin grew to 290 basis points in the first quarter, mainly reflecting lower funding costs. As we look to the second quarter, we expect our net interest margin to decline by several basis points, likely followed by a modest increase in the back half of the year.

On slide 20, we show our key capital metrics. As of the fourth quarter, we reported an estimated Basel III Tier 1 Common ratio of 10.6%. Subsequently, we announced we would be required to add roughly \$56 billion of operational risk RWA to our total risk-weighted assets, related to our transition to the Basel III advanced approaches. This additional RWA resulted in a pro forma Basel III Tier 1 Common ratio of 10.1% as of the fourth quarter, and we grew our estimated Basel III Tier 1 Common ratio to 10.4% in the first quarter.

Our estimated Basel supplementary leverage ratio was unaffected by the change in operational risk RWA, and improved from 5.4% to 5.6% in the first quarter. We continue to evaluate the impact of the newly released NPR for the U.S. SLR rules, and based on our limited review to date, we believe the impact should be flat to a slight improvement.

In summary, our performance in the first quarter demonstrated continued progress on several fronts. Markets revenues rebounded from the fourth quarter. And while fixed income revenues were less robust than last year, we partially offset this decline with growth in equities, corporate lending and the Private Bank. Our international consumer business continued to grow, with positive operating leverage year-over-year. And we continued to see growth in purchase sales across our card portfolios. We also maintained our expense discipline, and credit remained broadly favorable. We significantly reduced the drag from Citi Holdings again this quarter. And we ended the period with a strong capital position. Looking to the rest of the year, our goal is to grow our core franchise, while improving our operating efficiency and reducing the drag from Citi Holdings.

In Global Consumer Banking, we expect revenues to be somewhat flat going into the second quarter with sequential growth in the back half of the year, while core operating expenses should continue to decline each quarter. In our institutional business, revenues will likely continue to reflect the overall market environment, with a goal of steadily gaining wallet share while maintaining our expense discipline. And in Citi Holdings, we remain focused on resolving our legacy mortgage and securitization-related issues in order to further drive the business closer to breakeven. In the first quarter, we saw higher levels of one-time and mark-to-market revenues which are not likely to recur. But we still expect to achieve a small positive operating margin excluding legal expenses.

For full year 2014, in Citicorp, we expect our core operating expenses to come in at or somewhat below the level of 2013, as continued repositioning and other efficiency savings should offset the impact of business growth, investments and a continued increase in regulatory-related expenses. And in Citi Holdings, core operating expenses should continue to decline as we wind-down those assets.

Over the past six quarters we have incurred roughly \$1.7 billion of repositioning charges in Citicorp, including the actions we announced in December 2012. We expect to achieve approximately \$2.2 billion of annual savings from these initiatives. Roughly \$1.8 billion of these benefits are already included in our expense base on an annualized basis, and we have achieved an additional \$1 billion of annual savings through our ongoing efforts to simplify and streamline our organization as well as improve our productivity.

Of these \$2.8 billion in annualized savings, approximately 40% has been reinvested in regulatory, control, and compliance initiatives. Another 40% went to fund the higher volume-related expenses, cover the cost of inflation and fund investment, including the Best Buy portfolio acquisition. And 20% has fallen to the bottom line to benefit earnings.

In the second quarter, we expect total legal and repositioning charges to be roughly in line with the first quarter, although the mix should change to reflect an increase in repositioning charges due in part to the acceleration of our restructuring efforts in Korea. For the second half of the year, repositioning charges should decline while legal expenses are likely to remain somewhat elevated.

With that, Mike and I are happy to take any questions.

**OPERATOR:** (Operator Instructions) Your first question comes from the line of Jim Mitchell with Buckingham Research. Please go ahead with your question.

**JIM MITCHELL:** Quick question on expenses. Just to get to the high end of your efficiency ratio targets, it seems to me if I kind of do the math assuming flat revenue, you'd have to get somewhere between \$1.5 billion to \$2 billion more in expenses out. Is that the right way to think about it? Or are you assuming the restructuring and legal charges go away as part of that? Or is that independent of that, or is there some revenue assumption in those targets?

**JOHN GERSPACH:** Well, Jim, I think the right way to think about this is when we put those targets out, we were talking about low single digit revenue growth back in the 2012 level. And we do think that there

will be, as I mentioned, some sequential revenue growth clearly in the consumer businesses. And we actually think about sequential revenue growth towards the back end of the year in our Transaction Services business as well, TTS. But overall, we are committed to hit those efficiency targets as we established for Citicorp in the mid-50s%. You reference the legal expenses, and as we set that target, I think another good way to think about this is when we set the target of the mid-50s%, embedded in that target we would have had about 200 basis points of the efficiency ratio set aside for BAU legal and reposition.

**JIM MITCHELL:** Okay, that's helpful. And just maybe trying to think through the fraud loss, it is helpful that you mentioned you looked across other receivable programs. Is there any reason to think that we should have concerns about beyond that – those types of programs, or just general corporate lending. Have you done, sort of a view there and how do we get comfort I guess on that front?

**MIKE CORBAT:** It's Mike. As I said, we, in this instance, did what we declared a rapid review, not only obviously in Mexico but across the franchise and I think took, you know, a great deal of comfort from the results of looking across as many geographies as and as many programs as we did. And you know, as the normal course of business and audit and risk, we're constantly looking at and reviewing those and I think feel comfortable with – on the lending side, the way we're coming to work, documenting and doing things. So again, it's something – as an institution, we're always focused on and always kind of going after and always looking to learn from things that occur. But nothing, I think, that leads us to have a broader fear either in Mexico or across the rest of the franchise.

**JIM MITCHELL:** Okay, great, and just one last question, I'll get out of the queue. But on the emerging markets, seems like we – markets have rallied there. Has there been any kind of improvement, I guess, on the market side in March as emerging markets have seemingly done a little better?

**MIKE CORBAT:** I think what you saw is – you've seen a few things. We've kind of transitioned out a bit of the year end malaise, which was largely focused around Fed policy or Fed stance, and I think we've seen volumes pick up and I think confidence result as part of that. But at the same time, I don't think you can ignore what's going on in the Ukraine or in Russia; that those things clearly continue to have an overhang on the market. So I think the overall sentiment is better but I think there's still some things out there, which I think caused people pause.

**JIM MITCHELL:** Okay, great. Thanks, guys.

**JOHN GERSPACH:** Thank you, Jim.

**OPERATOR:** Your next question comes from the line of John McDonald with Sanford Bernstein. Please go ahead with your question.

**JOHN MCDONALD:** Okay, John, just to clarify one piece of the outlook. The net interest margin you indicated that might be down a few basis points in the second quarter, is that for NII dollars as well? Just kind of wondering what's driving that outlook as it would seem that day count and seasonality in cards would get better from the first quarter as we move forward in terms of net interest income dollars?

**JOHN GERSPACH:** Yeah. You know, John, if you take a look at our NIM performance the last several years, there's a little bit of seasonality built into the second quarter where we normally just drop by a couple of basis points. You saw, I think, a little bit of exaggerated drop last year. There was – I'm sorry, two years ago. Last year we were down about 3 basis points and there is some dividend, preferred stock dividend trading programs that we enter into traditionally in the second quarter, as do others in the industry and they just have a tendency to depress the NIM in the quarter.

**JOHN MCDONALD:** Is that on dollars as well, John, if we think about net interest income dollars? And is there a benefit from day count in cards that would overwhelm that or is that net out?

**JOHN GERSPACH:** There certainly is. There's one more day, you know, in the second quarter so we will certainly benefit from that. But there normally is, as I say, a slight decline in it but I don't think that you're looking at anything dramatic. And we certainly, as I said, expect NIM to bounce back up in the second half of the year.

**JOHN MCDONALD:** Okay. And then as we think about that roadmap to the ROA target for next year, the comments that you just made to Jim were helpful. Can you clarify, I think, we struggle a lot with how much legal and repositioning need to come down in your model to kind of get to that ROA target. Can you clarify the 200 basis point that you mentioned, the BAU legal you just mentioned in the prior question?

**JOHN GERSPACH:** Yeah. As I said, when we first established the target a little over a year ago now, built into that target, we talked about having repositioning just be more of a BAU effort. But – and certainly, we've had higher levels than we would anticipate of repositioning in the last couple of quarters. As we continue to work through the simplification of the business and trying to improve the productivity. But on a BAU basis, our – again, I don't want to parse it into how much is legal and how much is repositioning. But in general, we would look at legal and the repositioning charges to be roughly 200 basis points of the efficiency ratio.

**JOHN MCDONALD:** Okay. And then on the CCAR – for Mike, I guess. Understanding there's limited amount that you can say, are you able to give us any feel for the type of CCAR processes that you need to improve? Any examples you could provide there, Mike?

**MIKE CORBAT:** John, I think I called out the things that we're probably going to be most focused on. Around some process-driven things, some model-driven things, some people-driven things that we're going be focused on. And again, I think from our perspective in the conversations and what I've heard, not business model, not strategy. And again, I think, things that will take a fair bit of hard work, but things that we feel very strongly that we can get done.

**JOHN MCDONALD:** Okay. And so some of the items the Fed mentioned were previously identified. How do you work to ensure against those types of expectation gaps forming again?

**MIKE CORBAT:** Well, we haven't received the written communication yet. But what we didn't want to do is to wait, right. We wanted to be engaged from day one on all of these things. And so, I think it's important that we get the written communication and that we make sure that there's good communication, good transparency around the things that we're going to do; the timeframe in which we're going to do them in, and what we think the results of that work will be. And so, we're going be committed to doing that.

**JOHN MCDONALD:** Okay. Thank you.

**OPERATOR:** Your next question comes from the line of Glenn Schorr with ISI. Please go ahead with your question.

**MIKE CORBAT:** Hey, Glenn.

**OPERATOR:** Please make sure that your line is not on mute.

**GLENN SCHORR:** Is it there now?

**MIKE CORBAT:** Hey, Glenn. How are you?

**GLENN SCHORR:** Sorry about that. I'm good. Thanks. Just a quick follow up on that last one. I just want to make sure. You said you believed the right decision is to focus the full attention on the 2015 process?

**MIKE CORBAT:** Correct.

**GLENN SCHORR:** Is that just a function of just like, wow, there's a lot to do. What's the big deal? What's difference of a quarter? Just because I know that some of us were hoping, like, it's a cumulative process you want to get off the zero and get moving forward this year.

**MIKE CORBAT:** Well, Glenn, I think that when you look, there's – I think as we've described, there's no one big glaring issue to fix. We've got a series of things that we need to address across the work stream. Several of these things – and if it's model-related as an example of one, would require validation. Those things take time. And what I don't want to do is find ourselves in a position of needing to rush to get a capital submission in sometime late third quarter, early fourth quarter to not get the work done properly, and not be in a position shortly thereafter some time mid-November to start the official process or the go forward process of our January submission. So I don't want – and again, it's not a question of resources, it's not a question of people, it's not a question of dedicating those things. It's wanting to make sure we're in the right place. And I think that right now, committing to going down that path is not the right thing for the institution or the shareholders. And so, I want to be focused on getting to the right place to take on the fourth quarter exercise of our first quarter 2015 submission.

**GLENN SCHORR:** Okay. Management decision, not - you weren't told this?

**MIKE CORBAT:** Management decision.

**GLENN SCHORR:** Good. Back about a year ago, when you put out your slides, you had one that had that four-box matrix that showed 21 markets where you were – you called underperforming and had ROAs of less than 40 basis points. I definitely remember a couple like Turkey, like Uruguay, like Paraguay. But recently, we saw stories on Spain; you just mentioned a partial downsizing in Korea. Can you just give a quick update on where you're at in terms of that process of culling the underperformers?

**MIKE CORBAT:** Sure. So when we look at that bucket, Glenn, there's a couple things you'd think about. It's not actually our ambition to cull that bucket. It's our ambition to actually take those businesses or those geographies and to get them to a place where they're worthy of investment from our franchise and they're creating adequate shareholder return. There's several levers we pull as we look at those and some of the things you just described go with that ranging from a Turkey, where when we looked from a consumer perspective – certainly not an institutional perspective but from a consumer perspective, we couldn't see a pathway to investment that made sense over the intermediate or longer term. So we chose to sell that franchise. You look at a place like Korea consumer, we do see the pathway to actually getting that upscale franchise to the appropriate levels of profitability and return, but it's taking some time and some restructuring to get there.

And so, as we go at those buckets, again you saw us in that bucket exit - we've announced or we've closed five. We announced six, which was Honduras where we just thought after working with the business teams on the ground and in the product we couldn't get there. And then you've seen others. One, you've mentioned in terms of Korea where restructuring has been required and there are others and those are a work in progress. And against that bucket, I'm happy to say we think we've made good progress; more to do. And again, those buckets aren't static and so, we've had some of those businesses and some of those geographies move out of that bucket and move up and to stay the course, which is where you'd like to get them or invest to grow. But work in progress, but making progress.

**GLENN SCHORR:** Okay. And last quickie, I'm not sure if I saw it anywhere. Did you state your return on tangible common for Citicorp and Holdings separately? And if not, could you?

**JOHN GERSPACH:** Glenn, if you look, the closest that we give you to that would be the slide - I think it's slide 25 in the earnings presentation. It's the first slide of the appendix. And we have not yet formally done the allocation of the TCE for you between Corp and Holdings. We will be doing that later this year.